

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

ORIGINAL DATE 2/3/06

SPONSOR Cisneros LAST UPDATED _____ HB _____

SHORT TITLE Water Project Financing Authorization SB 637

ANALYST Lewis/Kehoe

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY06	FY07	FY08		
(\$28,500.0)			Non-Recurring	Severance Tax Bond Capacity
28,500.0			Non-Recurring	Water Project Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates House Bill 683.

Relates to HB 132, HB 134, HB 272, HB 296, HB 499, HJM 21, HJR 6, SB 93, SB 194, SB 224 and SB 301.

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Finance Authority (NMFA)

SUMMARY

Synopsis of Bill

Senate Bill 637, with emergency clause, authorizes the New Mexico finance authority to make loans or grants from the water project fund to the following political subdivisions for the following qualifying projects on terms and conditions established by the water trust board and the New Mexico finance authority:

- A. to the Anthony water and sanitation district in Dona Ana county for a water project;
- B. to the city of Bloomfield in San Juan county for a water project;
- C. to the city of Carlsbad in Eddy county for a water project;
- D. to the Carnuel mutual domestic water and wastewater consumers association in Bernalillo county for a water distribution project;
- E. to the Ciudad soil and water conservation district in Bernalillo county for a watershed restoration and management project;

- F. to the Claunch-Pinto soil and water conservation district in Torrance county for a watershed restoration and management project;
- G. to the village of Columbus in Luna county for a water distribution project;
- H. to Cuatro Villas mutual domestic water consumers association in Santa Fe county for a regional water project;
- I. to the Dona Ana mutual domestic water consumers association in Dona Ana county for a water project;
- J. to the eastern New Mexico rural water authority in Curry county for a water distribution project;
- K. to El Rito mutual domestic water and sewer association in Rio Arriba county for a water distribution project;
- L. to El Prado water and sanitation district in Taos county for a water distribution project;
- M. to El Valle de los Ranchos water and sanitation district in Taos county for a water distribution project;
- N. to the city of Elephant Butte in Sierra county for a wastewater treatment and collection project;
- O. to the greater Chimayo mutual domestic water consumers association in Rio Arriba and Santa Fe counties for a water distribution project;
- P. to Guadalupe county for a water distribution project;
- Q. to the city of Las Vegas in San Miguel county for a water distribution project;
- R. to the city of Lordsburg in Hidalgo county for a water project;
- S. to Los Alamos county for a water project;
- T. to the Mora mutual domestic water and sewer association in Mora county for a water distribution project;
- U. to the northwest New Mexico council of governments in McKinley county for a water distribution project;
- V. to the Pueblo of Pojoaque in Santa Fe county for a water project;
- W. to the Rio Chama acequia association in Rio Arriba county for a water distribution project;
- X. to Santa Fe county for a water distribution project;
- Y. to the Sangre de Cristo water division of the city of Santa Fe in Santa Fe county for a water distribution project;
- Z. to the Pueblo of Santo Domingo in Sandoval county for a watershed restoration and management project;
- AA. to the south side water users association, Flora Vista water users association and Northstar mutual domestic water consumers association in San Juan county for regional water projects;
- BB. to the town of Taos in Taos county for a wastewater treatment project;
- CC. to the Ute Creek soil and water conservation district in Harding county for a watershed restoration and management project; and
- DD. to Agua Madres in Sandoval county for a water distribution project.

FISCAL IMPLICATIONS

Laws 2003 (Chapter 134) requires the Board of Finance to authorize and issue bonds for 10 percent of the severance tax bonding capacity each year for deposit in the water project fund. The 10 percent set-aside of severance tax bond capacity for FY06-07 will provide approximately \$28.5 million to the water project fund for eligible water projects. Money from the severance tax bonds may not be used to pay indirect project costs, and any unexpended balance from proceeds

of severance tax bonds issued for a water project shall revert to the severance tax bonding fund within six months of completion of the water project. NMFA is responsible for monitoring and ensuring proper reversions. The value of the 10 percent of severance tax bond capacity can change from year to year depending on oil and gas revenues.

Eligible water projects are defined as those involving: 1) the storage, conveyance or delivery of water to end-users; 2) the implementation of federal Endangered Species Act collaborative programs; 3) the restoration of watersheds; 4) flood prevention; 5) conservation; or 6) for recycling, treatment or reuse of water. In 2005, the Act was amended to add the category of “water rights adjudication” to provide automatic fund in an amount equal to 10 percent of the annual distribution to the water project fund. Following the 2005 Legislative Session, prior to the sale of severance tax bonds, it was determined the severance tax bonds could not be used for administrative purposes. Therefore, the Office of State Engineer and Administrative Office of the Courts did not receive money for adjudication purposes from the water project fund in 2005.

SIGNIFICANT ISSUES

According to the New Mexico Finance Authority (NMFA), the Water Trust Board (WTB) received 69 letters of interest, requesting a total of \$97.2 thousand from the 2006 annual distribution to the Water Project Fund. After reviewing the letters, the WTB invited 30 complete applications from local qualified entities for these projects. The total amount requested for these 30 projects is \$55.95 million. The amount of the 2006 distribution is currently estimated to be approximately \$25.5 million.

The WTB requests legislative authorization for the 30 projects which have been submitted for consideration. After the 2006 legislative session adjourns, the WTB will review all projects authorized by the Legislature for funding from the 2006 distribution to the Water Project Fund.

RELATIONSHIP

According to the NMFA, HB 134, HB 296 and SB 93 are duplicates which appropriate \$100 million from the General Fund to the Water Trust Fund for expenditure in FY06 and subsequent fiscal years to carry out the purposes of the Water Project Finance Act.

SB 194 essentially duplicates the intent of HB 134, HB 296 and SB 93 but is written to provide that “\$100 million of the nonrecurring revenue of the general fund remaining at the end of fiscal year 2006 shall be transferred to the water trust fund”.

HB 272 transfers \$100 million from the General Fund to the Water Project Fund for distribution pursuant to law after January 1, 2007. This bill is a companion bill to House Joint Resolution 6.

HJR 6 proposes a Constitutional Amendment (CA) to be approved by the voters in the 2006 general election which would establish the Water Trust Fund in the Constitution. HJR 6 is contingent upon enactment into law during the current legislature session of a bill which transfers \$100 million to the Water Trust Fund. This CA is a companion bill to HB 272.

HB 499 appropriates \$100 million from the General Fund to the Water Trust Fund for expenditure in FY06 and subsequent fiscal years for purposes of the Water Project Finance Act. This bill also amends the Water Project Finance Act to provide that money in the Water Trust Fund

shall not revert at any time.

HB 132 amends the Water Project Finance Act to provide that money in the Water Trust Fund “shall not revert” at any time.

SB 224 amends the Water Project Finance Act to delete the provision that 10% of all Water Project Funds shall be dedicated to water rights adjudication.

HJM 21 requests the Legislative Council to appoint a Task Force to assess options for creating a continuing funding mechanism for the Water Trust Fund.

SB 301 authorizes the issuance and sale of General Obligation Bonds for a wide variety of capital projects throughout the State. The bill appropriates \$20.0 million to the Water Project Fund to carry out the provisions of the Water Project Finance Act. SB 301 requires the approval of the voters in the 2006 general election.

ML/LMK/nt